



Thakur Educational Trust's (Regd.)

THAKUR COLLEGE OF SCIENCE & COMMERCE

Autonomous College, Permanently Affiliated to University of Mumbai
(NAAC Accredited with Grade 'A' [3rd Cycle] & ISO 9001:2015 Certified)
Best College Award by University of Mumbai for Year 2018-2019



DEPARTMENT OF ACCOUNTANCY

ACCOUNTANCY AND FINANCIAL MANAGEMENT III

CHAPTER 2

PIECEMEAL DISTRIBUTION OF CASH

Meaning:

In actual practice, the assets are not realised at once on a single day unless the business is sold to somebody. The process followed to discharge the liabilities and claims of the partners as and when the assets are realised is called Piecemeal distribution of cash.

SETTLEMENT OF LIABILITIES:

1. Realization Expenses
2. Reserve for unrecorded or Contingent Liability
3. Outside Liability
 - a. Secured
 - i. Fully Secured creditor secured
 - ii. Partly Secured

Continue.....

b. Unsecured Creditors

i. Preferential

ii. Other

4. Partner's Loan

5. Partners Capital

Methods

1. Excess Capital Method or Surplus Capital Method
or Quotient Method or Highest Relative Capital
Method
2. Maximum Loss Method (Not in Syllabus)

Excess Capital Method

Procedure:

| Particulars | Rs | Rs |
|---|----|-----|
| Capital a/c (cr. Bal.) as per Balance Sheet | XX | |
| Add: Current A/c (Cr.) | XX | |
| Reserves or Funds (credited in PSR) | XX | |
| P&L A/c (Credited in PSR) | XX | XXX |
| Less: Current A/c (Dr.) | XX | |
| P&L A/c (Dr.) (Debit in PSR) | XX | |
| Deferred Revenue Expenses (Debited in PSR) | XX | XXX |
| Adjusted Capital Balances | | XXX |

Steps In Proportionate Capital Method

1. Compute Adjusted Capitals of each Partner
2. Compute Unit Capital of each Partner
3. Ascertain Base Capital
4. Compute Proportionate Capital of Each Partner
5. Compute Excess capital of each partner

Continue.....

6. If there is only one Partner with excess capital, make payment to him first. Otherwise, go to step 7.

7. Compute Next excess capital of each partner by repeating steps 2 to 5, where instead of adjusted capital the old proportionate capital should be substituted.

Continue.....

8. Repeat these steps until one partner is left with excess capital.

9. Pay the final Excess capital; then the proportionate capital in the last stage; then the proportionate capital in stage before that and so on.

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Thank you